Common
CFDC & LOAN
Acronyms + Definitions

We tend to use a lot of jargon, and we know it can be overwhelming, perhaps confusing; but it doesn't have to be. Here's a quick run-down of the most common short-forms and phrases you are likely to hear our staff use.

Non-Loan Acronyms

BIP = Business Improvement Program

BR + E = Business Retention and Expansion

CEDP = Collaborative Economic Development Projects

CFDC = Community Futures Development Corporation

CIP = Community Improvement Program

EcDev + CED = Economic Development, Community Economic Development

EODP = Eastern Ontario Development Program

FedDev Ontario = The Federal Economic Development Agency for Southern Ontario

RIC = Regional Innovation Center

SBAC = Small Business Advisory Centre

SMEs = Small and Medium-sized Enterprises

SOFII = Southern Ontario Fund for Investment in Innovation

Loan Acronyms + Definitions

Amortization period is the total length of time it takes a to pay off a loan.

Balance sheets is a statement of the financial position of a business which states the assets, liabilities, and owners' equity at a point in time.

Break-even point is the point where sales and expenses are the same or when sales are strong enough to cover the expenses of the business. While being at the break-even point does not allow for an income for the business, it does mean the business is able to pay all expenses without going in debt.

Collateral refers to an asset that a business offers for the CFDC to secure the loan. The use of collateral reduces repayment risk for the CFDC.

Cost of goods sold (COGS) is the accumulated total of all costs used to create a product or service, which has been sold. These costs fall into the general sub-categories of direct labor, materials, and overhead. It does not include costs associated with marketing, sales or distribution.

Debt service ratio measures a business's ability to make debt payments. It is the amount of cash available to service debt in the form of interest and principal.

Debt-to-equity ratio shows how much of a business is owned by creditors (people it has borrowed money from) compared with how much shareholder equity is held by the business.

Gross margin is the amount of money a business has left after subtracting all direct costs of producing or purchasing the goods or services it sells.

Gross profit margin ratio is a used to assess the financial health of a business. It shows the percentage of sales revenue a business keeps after it covers all direct costs associated with running the business. A higher gross profit margin, means the business has more cash to pay for indirect and other costs such as interest and one-time expenses.

Income statements shows the profitability of a business over a specific period. The income statement summarizes revenues and expenses resulting from operating and non-operating activities. It also shows the business's net profit or loss.

Line of credit (LOC) is an arrangement between the CFDC and a business that establishes a maximum loan balance that the CFDC will permit the business to maintain.

Loan to value (LTV) is a ratio that compares the size of a loan to the value of the property securing the loan.

Operating expenses are the costs of running a business. They include rent and utility costs, marketing expenditures, computer equipment and employee benefits. They do not fluctuate directly with manufacturing or purchase volumes so they are typically described as fixed or semi-variable in nature.

Pari-passu a financing arrangement that gives multiple lenders equal claim to the assets used to secure a loan. If the business is unable to fulfil the payment terms, the assets can be sold, and each lender receives an equal share of the proceeds at the same time.

Profit and Loss Statement is a financial statement that summarizes the revenues, costs and expenses incurred during a specified period, usually a fiscal quarter or year.

Promissory note is paper evidence of a debt that a business owes the CFDC. It outlines the amount of the loan, interest rate and schedule for repayment, all of which are legally binding. The promissory note is issued by the CFDC and signed by the business.

Retained earnings are the amount of profit a business has left over after paying all its direct costs, indirect costs, income taxes and its dividends to shareholders.

Shareholders equity is the difference between total assets and total liabilities. If you were to sell off everything in the business at book value and pay off all debts, how much cash would be left? That's shareholder equity. In other words, shareholder equity is the amount of the business that the owners own.

Vendor take back (VTB) is when the seller offers to lend funds to the buyer to help facilitate the purchase of the business, this usually involves the seller agreeing to be paid a percentage of the sale price over time with interest.

Other Definitions

Clean technology includes products, processes and services that improve on environmental performance in support of sustainable development and clean economic growth.

Economic development can be defined as efforts that seek to improve the economic well-being and quality of life for a community by creating and/or retaining jobs and supporting or growing incomes and the tax base.

Green technology includes products, processes and services intended to mitigate or reverse the effects of human activity on the environment.

Internet of Things (IoT) refers to the connection of devices (other than computers and smartphones) to the Internet. Cars, kitchen appliances, and even heart monitors can all be connected through the IoT.

Industry clusters are groups of similar and related industries or businesses in a defined geographic area that share common markets, technologies, worker skill needs, and which are often linked by buyer-seller relationships.

Market diversification and/or expansion is when a business extends its offering to new market segment not previously targeted or adds new products or services to expand the business offering within existing markets.

Software as a Service (SaaS) is a model for the distribution of software where customers access software over the Internet.

Succession planning is the strategy for passing on leadership roles and often the ownership of a business to a buyer, an employee or group of employees.

Supply chain analysis is a tool for identifying growth opportunities related to a given industry within a region.